

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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P 082320Z OCT 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 7950

AMCONSUL TIJUANA VIA POUCH

C O N F I D E N T I A L MEXICO 13003

EXDIS

EO 11652: GDS

TAGS: EFIN EINV MX

SUBJECT: AMERICAN COMPANY FACES LARGE LOSSES IN MEXICO

REF STATE 247815

1. LOCAL LAWYER (LIC. JAVIER PEREZ ROCHA) FOR PACCAR AND KENWORTH MEXICO CONFIRMED OCT. 7 TO E/C COUNSELOR MOST OF INFO CONTAINED REFTEL. SITUATION, HOWEVER, HAS SOME COMPLICATING FACTORS NOT MENTIONED REFTEL OR IN HAYNE/ ROGERS TELCONS.

2. PEREZ SHOWED US COPY OF "COMPLAINT" FILED WITH GOM PROCURADORIA FEDERAL DEL CONSUMIDOR IN WHICH COMPLAINANT (WHO PURCHASED KENWORTH MEXIOC (KENMEX) TRACTOR ON INSTALLMENT PLAN IN MAY 1976 FOR \$65,585) ASKS THAT CONTRACT BE DECLARED NULL AND FRAUDULENT SINCE KENMEX HAS TRIED TO COLLECT FROM HIM HIS INSTALLMENT PAYMENT OF \$1,543 MONTHLY AT RATE OF 19.90 INSTEAD OF AT 12.50 RATE EXISTING AT TIME OF SALE. COMPLAINANT GOES ON TO STATE THAT VARIOUS PROVISIONS OF MEXICAN LAW REQUIRE TRANSACTIONS IN MEXICO OF MEXICAN PRODUCTS MUST BE IN MEXICAN CURRENCY. PROCURADORIA FEDERAL SENT SUMMONS TO KENWORTH MEXICO DIRECTING FIRM'S REPS TO APPEAR AT ITS OFFICES OCT. 29 FOR CONFERENCE OF "CONCILIATION". NO SUBSTANTIVE COMMENTS ABOUT MERITS OF CASE  
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WERE INCLUDED IN SUMMONS.

3. LIC. PEREZ ROCHA SAID THAT SITUATION ADDITIONALLY COMPLICATED FOR SALES MADE AFTER FEB. 5, 1976 WHEN CONSUMER PROTECTION LAW SPECIFIED THAT SALES THEREAFTER MADE FOR CASH OR ON INSTALLMENTS HAD TO BE IN SAME AMOUNT. (NOTE: APPEARS TO US THAT DESPITE DEVALUATION, DOLLAR PRICE IS UNCHANGED, BUT PEREZ ROCHA SAID THIS IS PROBLEM.)

4. SITUATION MAY BE MADE MORE DIFFERENT BY POSSIBLE POLITICAL AMBITIONS OF PROCURADOR FEDERAL AND POLITICAL CLOUT OF TRUCKERS ASSOCIATION. THERE MAY BE AS MANY AS 2,000 TRUCK AND/OR TRAILER UNITS INVOLVED. PURCHASES WERE MADE BOTH BY SMALL TWO-OR-THREE-VEHICLE OPERATORS AND BIG FIRMS.

5. MINISTER OF INDUSTRY AND COMMERCE HAS REPORTEDLY GIVEN SUPPORT TO POSITION OF DEBTORS, BUT APART FROM TV ADDRESS SEPT. 9 MENTIONED REFTTEL, WE DO NOT KNOW IS WHAT FORM. WE DID NOT SEE TV ADDRESS IN QUESTION; NEWSPAPER ARTICLE REPORTING SPEECH SAID THAT CAMPILLO-SAINZ GAVE ASSURANCES THAT ALL SALES CONTRACTS MADE BEFORE AUGUST 31 -- AS WELL AS CONTRACTS MADE IN DOLLARS -- WOULD BE HONORED AT PREVIOUS EXCHANGE RATE. ON FACE OF IT, THIS WOULD SEEM TO ARGUE AGAINST KENWORTH, BUT WE ARE NOT SURE THIS IS HOW IT WAS INTENDED.

6. WE DO NOT SEE ANY CONFLICT BETWEEN ARTICLE 9 OF MONETARY LAW AND CONSUMER PROTECTION LAW OR PRICE CONTROL DECREE THAT WOULD PERMIT CONVERSION OF DOLLAR-DENOMINATED DEBT TO PESO-DENOMINATED DEBT. WE ALSO QUESTION WHETHER GOM WOULD TRY TO CONVERT DOLLAR DEBTS TO PESO DEBTS AS THIS WOULD CAST DOUBT ON MEXICO'S WILLINGNESS TO MEET ITS FOREIGN CURRENCY OBLIGATIONS. KENWORTH MEXICO'S SITUATION IS PARALLELED IN SOME WAYS TO THAT OF MEXICAN BANKS WHICH GAVE DOLLAR CREDITS TO MEXICAN CUSTOMERS.

7. PRICE CONTROL PROGRAM IS RULED BY PRESIDENTIAL  
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DECREE RATHER THAN LAW. AS WASHINGTON IS AWARE, MEXICO HAS "FLEXIBLE" PRICE CONTROL MECHANISM. WHEN COSTS RISE 5 PERCENT OR MORE, COMPANIES SUBJECT TO CONTROLS CAN APPLY TO INDUSTRY AND COMMERCE FOR LIKE INCREASE IN PRICES. COMPANIES HAVE BEEN GRANTED BLANKET APPROVAL TO INCREASE PRICES BY 10 PERCENT FROM LEVELS PREVAILING ON AUGUST 15. MANY FIRMS BOTH FOREIGN AND MEXICAN OWNED ARE GOING IN FOR LARGER INCREASES,

AND SOME ARE REFUSING TO SELL UNTIL SUCH INCREASES  
ARE GRANTED.

8. LIC. PEREZ ROCHA HAS ADVISED HIS MEXICAN CLIENTS  
THAT IN ADDITION TO RESPONDING TO SUMMONS, THEY SHOULD VISIT  
SEC. CAMPILLO-SAINZ TO DISCUSS MATTER, WE SUGGESTED  
ALSO THAT THEY CALL ON MINISTRY OF HACIENDA AND  
EMPHASIZE POTENTIAL DOLLAR LOSS TO U.S. PARENT FIRM  
AND TO U.S. BANKS (TO SOME OF WHICH GOM IS INDEBTED).  
IN RESPONSE TO OUR OFFER OF ASSISTANCE, PEREZ ROCHA  
DID NOT SEE HOW EMBASSY COULD BE OF ASSISTANCE AT  
THIS TIME. REPRS OF PACCAR POSSIBLY COMING  
TO MEXICO NEXT WEEK AND WERE INVITED TO CALL AT  
EMBASSY WHEN MATTER OF EMBASSY ASSISTANCE CAN  
EXPLORED FURTHER.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, TRUCKS, TRADE COMPLAINTS, CONTRACTS, FOREIGN EXCHANGE RATES  
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**Copy:** SINGLE  
**Draft Date:** 08 OCT 1976  
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**Disposition Approved on Date:**  
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